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# Public Budgeting in Jordan: Governance Structure and Budget Preparation Process

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**Abstract:**
This study describes the Jordanian governance structure and the public budget preparation process. It discusses the political and administrative system through reviewing the legislative authority, executive authority, and judicial authority, as well as their roles within the separation of powers and checks and balances principles. It addresses the budgetary process cycle and the four main phases: the preparation of a national budget proposal phase, the national budget adoption phase, the national budget execution phase, and the evaluation and auditing phase. In this study, we illustrate how Jordan unitizes a mixed budgeting format as an approach to organizing and presenting information about resource allocations and plans of action. In essence, the public budgeting format combines line item, program, and performance budgeting to ensure efficient allocation of resources, enhance public performance outcomes, and tightly control public spending.

**Keywords:**
Governance structure, mixed format, public budgetary process, Jordan

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## Introduction

Jordan was part of the Ottoman Empire until the first decade of the twentieth century. After the First World War, Jordan came under the British mandate and was declared a trans-Arab Emirate in 1921 (Massadeh, 1999). In 1928, the Basic Act of the Transjordan Emirate was enacted, and in 1946, Jordan declared independence from Britain, and the new Jordanian Constitution was passed by 1947 (Massadeh, 1999). Since Jordan gained independence, successive governments have sought to improve the administration system of the public sector at the managerial and resource-management levels. In fact, the management of resources in the public sector is an essential tool to ensure the efficiency of government and the social welfare. In essence, the public budget is a governmental maneuver to correct market failures and address citizens' needs and desires through the resource-allocation process (Veiga et al., 2014 ; Ammari et al., 2017).
Generally speaking, a budget is a "document comprising detailed description of the expected revenues and expenditures of a given institution, associated with the activities that are planned for achieving a specific purpose or goals within a given period" (Veiga et al., 2014, p. 26). A public budget fulfills three major functions: political, social, and economic (Miksell, 2015). In terms of economic function, the process of public-budget preparation demonstrates the efforts to efficiently allocate limited resources. In other words, it focuses on answering V. O. Key's famous budgeting question: "On what basis shall it be decided to allocate x dollars to activity A instead of activity B?" (Key, 1940: 1138). The political function can be addressed through the role of government officials, interest groups and politicians to fulfill people's desires and achieve political gain (Oyakojo, 2015). Last, a public budget is prepared based on laws, rules and regulations, and it has legal bearing, ensuring fiscal discipline and control (Miksell, 2015).
The process of budget making in Jordan demonstrates the complexity of accomplishing these functions together and how the context of Jordanian governance influences the budgetary process. To reduce the budget-preparation process's complexity in Jordan, this paper reviews the Jordanian governance structure, it displays the budget cycle under the legal and the governmental structure and it explains the Jordanian budget'sformat. To accomplish this purpose, we conducted a review of the previous budget manual and budget reports issued by the Department of General Budget. We also analyzed Budget law no. 2 of 2017 and the Constitution of the Hashemite Kingdom of Jordan. This paper is organized as follows: the second section reviews the Jordanian governance structure from the legal and administrative perspectives, and the third section discusses the budgetary process cycle by describing the four phases of public budgeting and the budget format used to allocate funding and resources.

## Governance Structure

Jordan is a hereditary constitutional monarchy (Massadeh 1999; Sharp, 2017). The nation is the source of power; the nation exercises its power through the legislative branch and the king (Massadeh, 1999). The king is the supreme head of executive power, and he is the commander of the Jordanian armed forces, naval forces, and air forces (Massadeh 1999; Sharp, 2017). His majesty has a constitutional power, not a symbolic one, which empowers him to declare war, affirm peace, and endorse treaties (Massadeh, 1999); to appoint and dissolve the prime minister and all judges (Sharp, 2017); and to assign the crown prince, the military leader, and the senate (Sharp, 2017). The king is authorized to

dissolve the Parliament of Jordan and to delay an election of House of Representatives (Sharp, 2017).

Jordan's political system is based on the power separation principle: legislative power, executive power, and judiciary power. The Jordanian Constitution defines terms of reference for each power without inference between them (The Parliament of Jordan, 2017). The relationship among these powers is participatory, balanced, and complementary (The Parliament of Jordan, 2017). The following discussion clarifies the structure and responsibility of each power.

***Legislative branch***

The legislative power charters the bicameral system, which includes the house of senators, who are appointed by the king, and the House of Representatives, who are elected by Jordanian citizens (The Parliament of Jordan, 2017). The major functions of the legislative—National Assembly—power are: 1) Enacting laws through proposing bills and passing drafts of laws (United Nations, 2004), and 2) overseeing government performance and questioning the executive branch through direct questions about the progress of the government and investigations of illegal acts (United Nations, 2004). Generally, the National Assembly is responsible for Jordan's annual budget through discussing and opposing or confirming items and the annual budget's cost (The Parliament of Jordan, 2017).

***Executive branch***

The executive branch consists of the king, the prime minister, and the Council of Ministers (Massadeh, 1999). The king is the highest ranking of those in the executive branch, and as declared in Article 26 of the Jordanian Constitution, "The executive power shall be vested in the king who shall exercise his power through his ministers in accordance with the provisions of this constitution".

The Council of Ministers is comprised of ministers and is headed by the prime minister. The council manages Jordan's external and internal affairs, accepting issues needed to amend the constitution (Massadeh, 1999). Ministries and the council are responsible for executing public policies, and all of their duties and functions should be ratified by the King (Massadeh, 1999).

The Prime Ministry is headed by the prime minster, who is appointed by the king and is responsible for all of the ministries (Massadeh, 1999). The Prime Ministry oversees and coordinates the Council of Ministers' functions parallel with the royal court, the national assembly, and other authorities (Massadeh, 1999). The prime minster is accountable before Parliament for implementing policy and managing financial resources according to budgeted items and allowances (Massadeh, 1999).

A ministry is a governmental department headed by a minister and aims to implement public policies in a determined domain in the form of public services. The minister is responsible for implementing the policies in his ministry and is accountable for any short work or illegal acts (Constitution of Jordan, Article 47; Massadeh, 1999). The structure of Jordan's ministries is classified for both regional and functional structures. For example,

each ministry has a headquarters in Jordan's capital, and other ministry regional offices are spread across the 12 Governorates of Jordanian, their districts, and their sub-districts to provide public services in coordination with the central government of each ministry (Massadeh, 1999). A governorate is an administrativedivision of a state (Ministry of Interior, 2016). Therefore, the governorates and local governments are dependent entities, and they do not have their own budgets (Massadeh, 1999). Jordan is working to alter the country's administrative system, leaning toward a more decentralization governance approach; however, there is no clear evidence regarding the practical application of this movement. The second ministry's structure classification is based on the functions of the ministries. Because there is no specific number of ministers in each cabinet, the number of ministries varies based on the prime minister's vision and his plan to accomplish public will and to provide public services (United Nations, 2004). Generally speaking, the established ministry should fall into one of three categories: First, the interior ministry pertains to the preservation of safety, public security, and state sovereignty; second, management of religious affairs and holy places is responsible for mosques, places of worships, and all holy ceremonies (Massadeh, 1999); and third, public goods and services ministries provide public services, such as public education, public health care, social protection, and welfare ministries, to all Jordanians.

***Judiciary branch***

Judicial power is an independent entity and is represented by the courts of law and varies in its types and degrees (United Nations, 2004). According to Article 97 of the Constitution of Jordan, "judges are independent, and in the exercise of their judicial functions they are subject to no authority other than of the law." As is argued, judges are appointed and terminated by the king (Constitution of Jordan, Article 98; United Nations, 2004). The major categories of the courts of law are 1) civil courts that pertain to civil and criminal cases; 2) religious courts, which concern Sharia and other religious community issues; and 3) special courts that include military courts, police courts, and municipal courts (Constitution of Jordan, Article 99; United Nations, 2004). The founding of any different court, its category, function, and jurisdiction boundary, should be defined by a special law (Constitution of Jordan, Article 100).

***Local government***

Jordan has been divided into 12 governorates; geographically, the governorates of Jordan are divided into three regions: the north region, the central region, and the south region. This geographic division is based on geographic connections and population centers (Ministry of Interior, 2016).

The administration of each governorate is the responsibility of an appointed governor, who is the head of that governorate and who has a direct contact with the interior minister and reports to him (Massadeh 1999; United Nations, 2004). In essence, the Governorates of Jordan are an extension of Jordan's central government and are part of the Ministry of Interior (United Nations, 2004). In short, a governor is responsible for coordinating ministries' regional office actions and for participating in setting the agenda of the ministries' regional offices based on the need of a governorate and the available resources (Massadeh, 1999).

Municipal councils in a governorate are elected for four years by the local residents to deal with local issues and local services within the governorate's borders. Local governments and municipal offices are dependent on central government subsidies because municipal offices do not have a wide autonomy to generate new revenue sources (Massadeh, 1999). To illustrate, municipal councils are only eligible to collect taxes and service fees as previously defined by central government and ministry regional offices.

**Non-central Public Administration Organizations**

The Jordanian government has established several public organizations that are independent, have their own budget, and have legal power as self-governing entities (Massadeh, 1999). Public organizations could be business-like organizations, professional organizations, and NGOs, and they are still linked in one way with the central government (Massadeh, 1999). Moreover, public administration in Jordan promotes human rights, and it takes the responsibility of preserving human rights and protecting women and minorities through establishing human rights organizations and family support organizations (United Nations, 2004).

In summary, Jordan's political and administrative system combines centralization and decentralization. The king is the supreme head of the country, and his authorities are guaranteed by the Jordanian Constitution. The three essential powers—legislative, executive, and judicial—are coordinated and harmonized to accomplish the nation's will, and all of these powers are accountable before the king and the nation.

**Budget Cycle**

The preparation of public budgeting varies among states due to the differences in their legal doctrines and administrative devices. Jordan as a developing country is more centralized in regards to the budgetary process and the preparation procedures are conducted at the central government level. The three essential powers are cooperated to formulate the national budget proposal under the separation of power and check and balances principle to ensure equal power among three branches and no branch becomes more powerful than another (Wilson, 1989). The Jordan national budget making occurs at four major phases; phase I: the preparation of a national budget proposal. Phase II: national budget adoption. Phase III: national budget execution and phase IV: Evaluation and auditing. The budget process at the national level is implemented in accordance with the Budget Act and Parliament's Standing Orders. Jordanian public budget covers only one fiscal year which is the calendar year. Yet, the evaluation and auditing may extend longer than the fiscal year. The following describes the main procedures to prepare the national budget in Jordan.

**Phase I: The preparation of a national budget proposal.**

First of all, the prime minister sends instructions to prepare the national budget. These instructions include general instructions which represent the governmental fiscal policy and allocation of financial resources, and detailed instructions which contain the time framework to prepare the estimation of public spending and revenues. Using the minimum estimation standard of public spending and revenues. Next, the administrative units prepare estimation for their activities, policies, and programs for next year and they

send it to the General Budget Department. Then, the General Budget Department receives the administrative units' proposals to study them and to discuss the content of proposals with the administrative units to reach more accurate estimation for revenues and expenditures to these proposals are sent to the advisory council. Advisory council contains the Finance Minister, Minister of Planning and International Cooperation, Minister of Industry and Trade and the Governor of the Central Bank. They study and analyze the fiscal policy of the proposed budget taking in consideration the current social, economic, fiscal and financial conditions. In September, the Council of Minister studies and discusses the proposed budget and conduct changes on it to ensure the corresponding of the budget with the public policies and governmental financial capacities (General Budget Department, 2017).

**Phase II: National budget adoption**

In this phase, legislative authority analyzes, discusses and proposes changes to the proposed budget (Miksell, 2015). In Jordan, the executive authority has to submit the proposal of the budget by November, 30 to the legislatures. It incorporates the speech of Financial Minister that provides analysis of current economic, financial and fiscal situations, Balance of Payment and inflation, internal and external debt, the description of the role of the budget in solving current problems and the fiscal Policies for next year (General Budget Department, 2017). Then, financial Committee in the Chamber of Deputies studies analyzes and discusses the proposed budget. Subsequently, the Chamber of Deputies starts their debate in the presence of Prime Minister; the head of the financial committee reads the committee's report and open discussions with all members (General Budget Department, 2017). Following this, the Senates debate occurs in the same way that the chamber of Deputies discusses the proposed budget. The last step is the Royal ratification of the proposed budget is submitted to King to authorize the proposal to become the Public Budget law for the coming Fiscal year and the Annual Budget Law is declared (Jordan Constitution, Article 93).

**Phase III: National budget execution**

The implementation of the budget is occurred through the executive authority to spend the allocated money. The government departments and administrative units spend the allocated funds in the Annual Budget Law (Sommaripa, 2012). It consists of the following procedures, issuance of the Public financial order by the Finance Minister after being prepared by the Department of General Budget to cover the current expenditure (Sommaripa, 2012). Issuance of Special Financial Order to spend capital funds. Issuance of appropriations to what actually the administrative units receive to spend (General Budget Department, 2017). It is worth mentioning that, after passing the budget law and beginning of the implementation process, the prime minister issues official statement of implementation including spending criteria to reporting the performance of ministries and administrative units (Sommaripa, 2012).

**Phase IV: Evaluation and auditing**

The evaluation and auditing stage aims to monitor of implementation to ensure the purposefulness and timeliness of the collection and use of budget resources, so as to eliminate irregularities and abuses, as well as to prevent mismanagement through appropriate measures, and thus avoid possible adverse consequence (Miksell, 2015).

Budget evaluation and auditing take place during budget implementation and following the completion of the budget year (Sommaripa, 2012). Internal and external budget supervision and audit are conducted through both executive and legislative authorities. To illustrate, the internal auditing occurs through the Ministry of Finance by Monitoring and Inspection Directorate. External budget (Legislative authority) monitoring of all budget and extra-budgetary users, through the Bureau of Audit, to supervise the activities of administrative units. According to Article 119 from the Jordanian Constitution, the purpose of an Audit office is to ensure the lawfulness of the state's revenue and expenditure. Moreover, "the Audit Office shall submit to the Chamber of deputies at the beginning of each ordinary session, or whenever the Chamber demands, a general report embodying its views and comments and indicating any irregularities committed and the responsibility arising therefrom". The internal and external budget supervision and audit of the spending of budget resources are carried out simultaneously through all the phases and steps of the budget process.

**Jordan Public Budget Format**

This section discusses the applied budget format which informs about the way of presenting information, decision criteria of budgeting process and rule of evidence to facilitate the performance evaluation (Lewis andHildreth, 2012). According to Morgan (2002) determining a public budget, format enables us to a better understanding of the budgetary process. He stated that "When we speak of budgeting formats, we are talking about the way in which budgeting information is structured, the kind of information that is required to justify budget requests, and what kind of questions are asked during the budget review process" (p.7). There are several approaches to budget format; for instance, line item budget, program budgeting, performance budgeting and Zero-based budgeting (Miksell, 2015). Due to the fact that there is no single budget format has the capacity to provide an inclusive information about the mechanisms of allocation of funding and organize a state' plan, priorities and cost (Miksell, 2015), Jordan utilizes a mixed budgeting format that combines program budgeting approach, line item approach and performance approach (Sommaripa, 2012). Line item approach focuses on inputs of a ministry or a directorate. It shows the allocation of funding based on purchases of the related ministry or Directorate (Sommaripa, 2012). Although this approach of format does not show the relationship between spending and output or outcome, it easy to organize and understand and it allows a high degree of controlling on public expenditure (Miksell, 2015). Program budget approach organizes the spending based on work categories; tasks, process and actions (Sommaripa, 2012). This approach enhances the transparency governmental work, however, it needs a wide range of staff work to analyze it and it takes time from the chamber of deputies to discuss its content (Sommaripa, 2012). The last approach that performance budgeting that organized that budget data based on the results, output, and outcome of allocated funds(Sommaripa, 2012). It enhances efficient and effective spending and it strengthens the controlling of public officials based on the expected results and outcomes. Yet, it needs highly trained staff and both qualitative and quantitative data (Miksell, 2015; Sommaripa, 2012).

**Conclusion**

Jordan is a constitutional monarchy based on the constitution declared on January 8, 1947. The Constitution concentrates a high degree of executive and legislative authority

in the King, who determines domestic and foreign policy. The governance structure of Jordan is presented through the legislative authority, executive authority and judicial authority. The budget preparation is a complex and multistage process that entails political and administrative interaction to ensure efficient allocation of public resources and public interests representation. The Jordanian public budget preparation occurs in four phases, the preparation of a national budget proposal phase, national budget adoption phase national budget execution phase and evaluation and auditing phase. Jordan uses a mixed budgeting format to present and organize information of resources allocation and performance management.

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